

# MONTHLY REVENUE REPORT

## October 2006

Revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.7 billion in October 2006, which was up 4.0% from last year's level. While this increase followed sharp declines in August and September, it was not large enough to offset these prior declines. Taxes that posted an increase in collections in October included the sales, use, insurance, and State education property taxes.

While FY 2005-06 ended September 30<sup>th</sup>, tax revenue collected in October that became a liability prior to October 1, 2006, will be accrued back to FY 2005-06. The final revenue for FY 2005-06 will be determined after all tax and revenue accruals and other book-closing adjustments have been made, which is scheduled to be completed in December. Based on tax cash collections to date (collections from November 2005 through October 2006) along with the limited information available on nontax revenue, it appears that General Fund revenue will come in very close to the May 2006 consensus revenue estimate, but School Aid Fund revenue will fall short of the May estimate by about \$120.0 million. The School Aid Fund projected shortfall includes lottery revenue coming in \$20.0 million below the May estimate.

Income tax revenue totaled \$562.3 million in October, which was down 0.2% from the year-ago level. Gross income tax collections were unchanged from last year's level, as a 1.9% decline in income tax withheld from workers' paychecks was offset by increases in the revenue generated by income tax quarterly and annual payments. Income tax payments refunded to taxpayers totaled \$38.8 million in October, which was up 40.6% from last year's level. Based on FY 2005-06 cash collections, net income tax revenue is up 2.5%, but is short of the consensus revenue estimate by about \$39.0 million.

Sales tax revenue totaled \$604.4 million in October, which was up 10.7% from last year's level. This strong increase does not accurately reflect the true underlying level of sales tax collections, but instead reflects the impact of a noneconomic timing issue. Using a three-month moving average to smooth out this noneconomic timing aberration reveals that during the three months ending in October, sales tax collections were down 3.4% from the year-ago level. Sales tax collections from motor vehicle transactions topped last year's level by 0.2%, which marked only the third time in the past three years that monthly motor vehicle sales tax collections have topped the year-ago level. Based on FY 2005-06 cash collections, sales tax receipts are unchanged from last year's level, which puts them about \$64.0 million below the consensus revenue estimate.

Single business tax collections totaled \$248.6 million in October, representing a decline of 4.5% from last year's level; however, last year's level was unusually strong and was not expected to be repeated again this year. As a result, single business tax collections in October were actually stronger than had been anticipated. Based on FY 2005-06 cash collections, single business tax revenue is down 3.0% from last year's level, but is still about \$50.0 million above the consensus estimate.

State education property tax receipts totaled \$987.5 million, which was up 6.8% from last year's level. Despite this strong showing in October, cash collections are still trailing the consensus estimate; however, as in past years, it is expected that this shortage will be made up during the accrual process.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2005-06, which were adopted at the May 2006 Consensus Revenue Estimating Conference.



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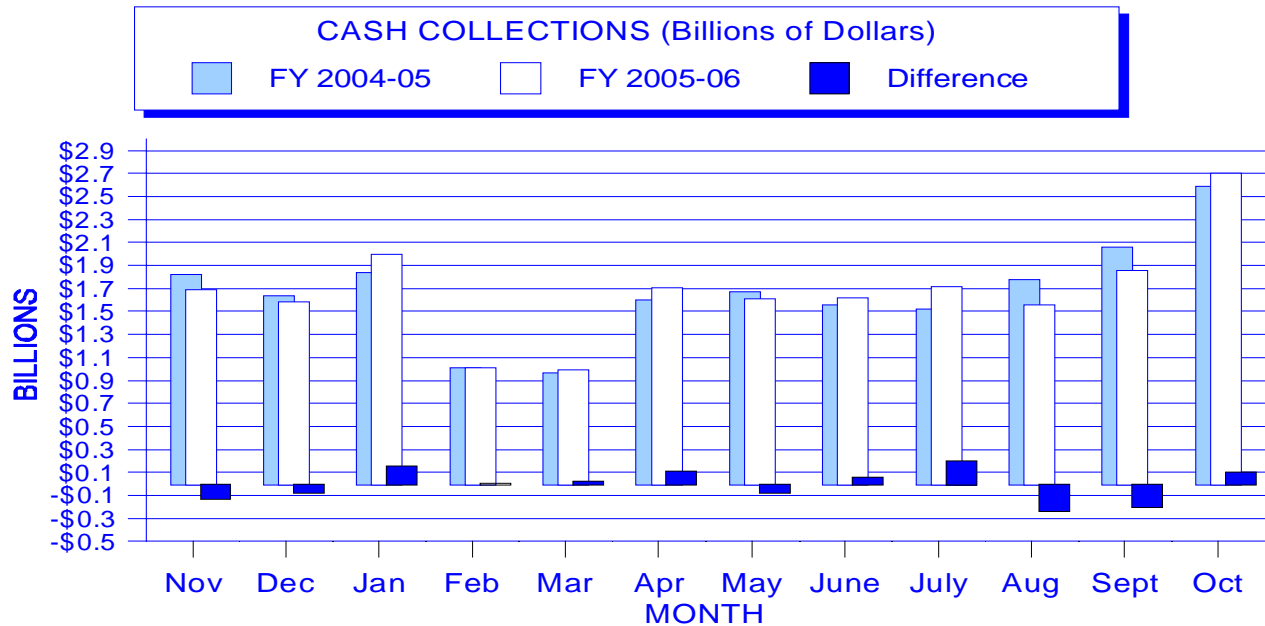
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**MICHIGAN REVENUE UPDATE**  
**OCTOBER 2006**  
(dollars in millions)

Type of Revenue	October Collections		FY 2005-06 to Date <sup>2)</sup>		FY 2005-06 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2004-05
Gross Income Tax	\$601.1	0.0%	\$ 7,864.2	2.1%	\$ 7,933.7	2.8%
Refunds	(38.8)	40.6	(1,648.2)	0.5	(1,679.0)	4.2
Net Income Tax	\$562.3	(2.0)%	\$ 6,216.0	2.5%	\$ 6,254.7	2.4%
Sales Tax	604.4	10.7	6,645.2	0.0	6,709.6	1.7
Motor Vehicles	57.1	0.2	715.5	(10.5)	---	---
All Other Sales Tax	547.3	11.9	5,929.7	1.5	---	---
Use Tax	138.6	16.1	1,370.2	(3.4)	1,411.6	0.7
Tobacco Taxes	94.7	(8.1)	1,168.9	(1.4)	1,179.5	0.0
Single Business Tax	248.6	(4.5)	1,914.0	(3.0)	1,852.9	(3.2)
Insurance Tax	33.0	16.6	230.4	(5.3)	235.0	(5.8)
State Education Property Tax	987.5	6.8	1,963.3	1.7	2,010.0	5.0
Real Estate Transfer Tax	21.9	(22.6)	305.4	(4.0)	320.0	2.1
Estate/Inheritance Tax	0.0	(100.0)	0.5	(99.5)	1.0	(99.0)
Casino Wagering Tax <sup>4)</sup>	0.0	(100.0)	153.9	5.6	152.4	4.5
Oil & Gas Severance Tax	5.7	(24.0)	84.2	26.2	94.0	40.9
<b>Total</b>	<b>\$2,696.7</b>	<b>4.0%</b>	<b>\$20,052.0</b>	<b>(0.2)%</b>	<b>\$20,220.7</b>	<b>1.1%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$170.1	(4.1)%	\$2,212.1	8.2%	\$2,223.8	8.7%
Net to School Aid Fund <sup>4)</sup>	\$ 58.2	(3.5)%	\$ 684.7	5.0%	\$ 708.5	6.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.  
2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.  
3) Consensus revenue estimates adopted at the May 17, 2006, Consensus Revenue Estimating Conference.  
4) Lottery and casino revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

**Actual Revenue Collections for Major State Taxes\***  
**November 2004 to October 2006**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education property, real estate transfer, and casino wagering taxes.